

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

COMMODITY FUTURES TRADING)	
COMMISSION)	
)	
Plaintiff,)	
)	
v.)	CIVIL ACTION NO. 09 C 6780
)	
RALEIGH CAPITAL MANAGEMENT,)	Honorable Charles R. Norgle, Sr.
INC. AND RICHMOND H. HAMILTON, JR,)	
)	
Defendants,)	
-----)	
RALEIGH FUND, LP,)	
)	
Relief Defendant.)	

RECEIVER'S SECOND INTERIM REPORT

Deborah L. Thorne, not individually, but as court-appointed Receiver (“Receiver”) of Defendants, Raleigh Capital Management, Inc. and Richmond H. Hamilton, Jr., and Relief Defendant, the Raleigh Fund, LP, files this Second Interim Report which covers the period of December 1, 2009 through February 28, 2010 (the “Reporting Period”).

The purpose of this Second Interim Report is to provide the Court and all interested parties with a description of the assets which the Receiver has determined are assets of the estate (“Estate”), to describe the nature of the Receiver’s activities, investigations, analysis, conclusions, recommendations to date, and the revenues generated and/or collected by her, and the Receivership Estate expenses incurred¹ during the Reporting Period.

¹ The Receiver and her counsel will submit their requests for reimbursement of fees and expenses for the period of December 1, 2009 through February 28, 2010 in separate pleadings.

Introduction

On October 29, 2009, at the request of the Commodity Futures Trading Commission (the “CFTC”), this Court entered an Order Appointing Receiver over Raleigh Capital Management, Inc. (“RCM”) and Richmond H. Hamilton, Jr. (“Hamilton”), and Relief Defendant, the Raleigh Fund, LP (the “Fund”) (the “Order”) in which the Receiver was appointed as receiver for RCM, Hamilton and the Fund. The Order provided that the Receiver should among other things take custody of all funds, property and other assets in the possession or control of the Defendants and Relief Defendant (“Assets”) to manage and preserve the Assets and to prevent any loss to the Assets.

The Order required the Receiver to take control of the Fund and to liquidate or manage it as prudent under the circumstances, to investigate other assets belonging to RCM, the Fund and Hamilton. The Order also required the Receiver to determine the identity of all of the Funds’ limited partners, amounts invested by the limited partners and to determine the payouts to limited partners and communicate, as necessary, with the limited partners.

In the four months since the Receiver was appointed, she has reviewed the known Assets and to the best of her ability has insured that they are safe. The Assets which she has determined belong to the Fund, Hamilton or to Raleigh Capital Management include the Assets listed on the following chart below. She does not have control over certain of the assets and values do not include the cost of liquidating assets into cash. She has also attributed no value to real estate assets which are subject to the interests of secured lenders and for which appraisals are dated.

<u>Asset</u>	<u>Location</u>	<u>Estimated Value</u>
Various currencies converted to United States Dollars on 11/13/2009	In the name of the Fund and originally at Lind Waldock and now invested in CDARS with FDIC-insured depository institutions	\$708,876.25
Various currencies converted to United States Dollars on 11/13/2009	In the name of the Fund and originally at Lind Waldock and now invested in Money Market Account at The PrivateBank	\$250,000.00
Northern Trust Bank Account in the Name of Richmond Hamilton # 3800194120	Northern Trust Bank	\$143,072.00 (Balance 2/5/2010)
Northern Trust Bank Account in the Name of Raleigh Fund, LP #3800194139	Northern Trust Bank	\$52,670.58 (Balance 2/5/2010)
Account at Dain Rauscher	This account is held as security for the Note owed by Little Creek Ventures, LLC which matured on 12/31/2009	\$2,204,562.67 (as of 1/31/2010)
Richmond Hamilton Banque Franck Accounts	Richmond Hamilton allegedly owes \$415,669 as of 1/29/2010 to Banque Franck under the terms of a fixed term loan (matures on 3/31/2010). Banque Franck holds, as security an interest in Mr. Hamilton's interest in the Raleigh Fund which is valued on the Banque Franck statement at \$1,024,010.03. The Receiver has not reviewed the Banque Franck documents and the statements herein are those of Banque Franck.	-0-
Raleigh Fund, LP Banque Franck Accounts	The Raleigh Fund, LP holds an account at Banque Franck containing cash, short term investments,	Cash: \$2,187.81 Short term investments: \$190,000.00 Bonds: \$19,632.97

<u>Asset</u>	<u>Location</u>	<u>Estimated Value</u>
	bonds, equities, alternative investments and metals and commodities. The Receiver has not liquidated these assets as of the date of this report. The "Alternative Investments are in D.E.Shaw Composite Intl. Funds which the Receiver has been informed are largely illiquid.	Equities: \$91,697.59 Alternative Investments: Metals and commodities: \$1,073.10 (Balances from Banque Franck as of 12/31/2010)
Funds on Deposit with Henderson & Lyman	Funds wired from Hamilton. Receiver made demand 11/12/2009 for return which was honored on February 26, 2010. An additional \$20,000 was also wired by Hamilton to Henderson & Lyman during the last two weeks of October for payment of attorneys' fees. This amount was not returned to the Receiver.	\$125,000
Funds on Deposit at Credit Du Maroc	Account Number 14001902050452 in the name of Richmond Hamilton Jr. Receiver has made demand which has been ignored.	Amount Unknown
Condominium located at 1734 North Cleveland, Chicago, IL	Title is held in the name of Hamilton and is currently listed with Llani O'Connor, a Century 21 Broker for \$295,000.	Subject to a mortgage with The Northern Trust Company in the original principal amount of \$158,469.00. Current balance is \$156,220. Appraised value is \$295,000 as of June 9, 2009. (Value subject to sale closing at undetermined time)
Condominium located at 2500 Lakeview, Chicago, Illinois	Title is held in the name of Hamilton and is under lease with McDonald's	Subject to a mortgage with The Northern Trust Company in the original

<u>Asset</u>	<u>Location</u>	<u>Estimated Value</u>
	Corporation. Broker has been retained and unit is listed for \$499,000.	principal amount of \$380,000. Current balance is \$374,609.03. Appraised value is \$525,000.00 as of June 9, 2009. (Value subject to sale closing at undetermined time)
Fifty percent interest in Apartment Building located at 6641 North Greenview Avenue, Chicago, Illinois	Owned jointly with John Davidson.	\$635,500.00 appraised value as of 6/9/2009, subject to mortgage in the approximate amount of \$401,663.52. (Value to Receiver's estate unknown)
Membership interest in Little Creek Nine, LLC.	Richmond Hamilton is 33% interest holder through his membership in the LLC which owns Lot 9 at Shoppes at Little Creek.	Subject to a mortgage securing principal in the amount of \$3,143,642.52. The property has been appraised at a value of \$1,714,000 "as is" in April 2007 and \$5,165,000 at completed and stabilized.
Membership interest in Little Creek Eleven, LLC	The Fund is a 33% interest holder through its membership in the LLC which owns Lot 11 at Shoppes of Little Creek.	Subject to a mortgage securing principal in the amount of \$1,440,000. The property has been appraised at a value of \$2,250,000 in March 2007.
Membership interest in Little Creek Ventures, LLC	The Fund is a 33% interest holder through its membership interest in the LLC which owns Lot 12 at the Shoppes at Little Creek.	Subject to a mortgage securing principal in the amount of \$9,150,000. The property was appraised for \$13,300,000 in 2008.
Cessna 172S Aircraft	Title held by Tomacee Ltd. in which it is believed Raleigh Fund is the sole shareholder. Located at Louisa County Industrial Development Authority Airport Hanger. Broker has been engaged to sell aircraft.	Estimated at \$90,000.00
Mooney Aircraft	Title is held by Galeswood LLC which is a Delaware	Estimated at \$350,000.00

<u>Asset</u>	<u>Location</u>	<u>Estimated Value</u>
	limited liability company. It is believed that Raleigh Capital Management is the sole member. Believed to be located at Moroccan Airport. Broker has been engaged to sell aircraft. Custody of aircraft has not been given to Receiver by Mr. Hamilton.	
Series 7 BMW	Title held by Raleigh Capital Management, located at Louisa County Industrial Development Authority Airport.	Estimated at \$10,000
Three gold diamond rings	Discovered in Raleigh Capital Management safety deposit box, located at The Northern Trust.	Unknown
Stock Certificate	Stock Certificates for Whittman Development Corp. discovered in Richmond Hamilton safety deposit box.	Unknown

Actions Taken by the Receiver

Bar Date

The Receiver requested that the Court set a Bar Date of February 12, 2010. The Court granted the Receiver's order. The Receiver sent notice to all known claim holders and placed a Notice of the Bar Date in the Wall Street Journal on two separate dates in January 2010. The Receiver received 38 claims totaling \$6,124,000. The Receiver, with the assistance of Marion J. Siara, is in the process of reviewing the claims, determining whether certain investors received distributions during the last four years and ultimately will make a recommendation to the Court regarding a distribution.

Review of Fund Assets

It is estimated that the total value of the assets may exceed \$3,683,796. This estimate does not include any value attributed for interests in Little Creek, the Lakeview, Cleveland or Greenview properties, for the diamond rings located in the safety deposit box, the “Alternative Investments” through Banque Franck, the aircraft or the Credit Du Maroc bank account. The values attributed to the other non-cash items are only estimated based upon certain information provided to the Receiver by third parties and do not include the costs of liquidation. Certain of the assets have already and will continue to accrue costs for preserving them, including the payment of mortgages, condominium assessments, hanger lease payments and insurance. Over time these costs will deplete the value available to return to investors. No value is attributed to the interests held by either Richmond Hamilton or the Fund in Little Creek as these values will be determined by future events in the real estate market for which there is considerable uncertainty. The Receiver has filed Notices of the Receivership in those Districts where she believes assets are including the Middle District of North Carolina and the Eastern District of Virginia. The Receiver obtained an Order from this Court extending the time to file additional Notices if additional assets are discovered.

Little Creek Investments

The Receiver holds an interest in Lots 9, 11 and 12 at The Shoppes at Little Creek, Winston-Salem, North Carolina. Lot 9 is a strip center owned by Little Creek Nine LLC in which Hamilton holds a one-third membership interest. Lot 9 has tenants occupying approximately 50 percent of the center. The most recent appraisal from March, 2007 valued the center at \$5,165,000 based upon full occupancy. There is

currently a mortgage with approximately \$3,143,642 owed under the terms of a promissory note which matures in approximately 10 years. The Receiver has not reviewed the current Note but understands it is with the Bank of North Carolina.

The Receiver also holds a one-third membership interest in Little Creek Eleven LLC ("Eleven LLC"). Eleven LLC previously delivered a note and mortgage to Bank of North Carolina. The Receiver believes that the principal balance of approximately \$1.5 million is owed to the Bank of North Carolina. Lot 11 is vacant but Eleven LLC holds a judgment of \$1,000,000 against Hudson, a purchaser who breached a purchase agreement. Under the judgment, Eleven LLC receives sufficient payments each month from Hudson to satisfy the outstanding note payments to the Bank of North Carolina. The Note matures on September 22, 2010. The most recent appraisal, dated March, 2007, appraised the value as \$2,250,000.

The Receiver holds a one-third interest of the membership in Little Creek Ventures LLC ("LCV") which has developed a two story combined retail and commercial property on Lot 12 at The Shoppes of Little Creek. The Fund pledged the Dain Rauscher Account, currently worth \$2,204,562.67, to secure its guaranty of the LCV Note on Lot 12 to Royal Bank of Canada ("RBC"). An appraisal dated October 20, 2008 listed the value of Lot 12 as \$13,300,000 (as "stabilized"). The Receiver understands that RBC Bank has obtained a new appraisal which states considerably less value. The Receiver has not been provided a copy of the RBC appraisal. The property currently is 45% leased. The LCV Note, with principal indebtedness in the amount of \$9,118,067, matured on December 31, 2009.

RBC filed a motion with this Court seeking to intervene and seeking an order to lift the stay so that it can set off the Dain Rauscher Account and reduce the indebtedness accordingly. The Court denied this Motion. In the event the Dain Rauscher Account is used to satisfy the outstanding claim of RBC against the amount owed under the LCV Note, the Receiver intends to pursue her claims of \$1.4 million as a co-guarantor against Ladd Freeman and Jay Lukes, the other members of LCV. The right to pursue the \$1.4 million claim is supported by the LVC operating agreement.

The Receiver met with Ladd Freeman and Jay Lukes, managers and developers of The Shoppes at Little Creek and co-members of the Lots 9, 11 and 12 limited liability companies ("Managing Members"). Although a resolution of the various interests in the Little Creek real estate has not occurred, the Managing Members provided valuable information to the Receiver. The Receiver intends to meet with representatives of RBC and the other managing members in mid-March to determine whether a resolution of the issues may be made on a non-litigation basis.

The Receiver has also consulted with Carolina Commercial, a Cushman Wakefield affiliate in North Carolina who verified much of the information concerning the Shoppes of Little Creek Center provided by the Managing Members.

Aircraft

This Court entered an order on December 11, 2009 authorizing the Receiver to engage Marc Mosier to sell the Mooney and the Cessna aircrafts.

The Receiver holds the sole membership interest in Galeswood LLC, a Delaware limited liability company which is the owner of the Mooney aircraft currently located in Morocco. The Receiver has not been able to obtain any information about the source of

the funds which were used for the initial down payment on the Mooney or the initial purchase price. Approximately \$200,000 from the Fund was used to complete payments on the Mooney in 2009. Mr. Hamilton has stated through his attorney that he will turn the Mooney aircraft over to the Receiver but has not done so as of the date of this Report. Although the Receiver forwarded a consent to Mr. Hamilton's attorney to be executed by Mr. Hamilton, he has failed to execute the agreement. The Receiver has been told that the Mooney may be worth in excess of \$350,000 but that until additional information concerning flight hours and maintenance records are reviewed this is only speculation. Certainly no value will be realized if the Mooney aircraft is not turned over.

Additionally, the Receiver believes that Raleigh Capital Management or Hamilton is sole shareholder in Tomassee LTD, the owner of a Cessna 172S aircraft. The Cessna was purchased in June 2001 for \$156,000 and is currently stored at the Louisa County Industrial Development Authority Airport. The Receiver has caused the locks to be changed on the hanger. The Receiver has engaged Marc Mosier to assist her in selling the Cessna and will provide insurance in connection with allowing possible buyers to test the aircraft. The Receiver has been informed that the Cessna may be sold for up to \$100,000. The Receiver did receive the log books for the Cessna during the month of January 2009.

BMW Automobile

A BMW automobile is also located at the Louisa County airport. The Receiver has in her possession the title to the Series 7 BMW which is titled to Raleigh Capital Management. The Receiver intends to file a motion seeking authority to sell the BMW shortly. The BMW is not insured. It is secured in the hanger in Louisa County.

Cash Assets

The Receiver currently holds cash in two bank accounts at The Northern Trust, CDARS opened at The PrivateBank and Trust and accounts at Banque Franck in Switzerland. In addition, the Raleigh Fund has pledged an account at RBC. During the month of February, the Receiver caused a safety deposit box at The Northern Trust to be opened (it had a combination lock) and discovered \$15,000 in cash which she intends to deposit in account number 3800194120 at The Northern Trust.

Other Real Estate Holdings

Hamilton is the owner of several other properties in Chicago for which the Receiver has engaged real estate brokers. At the time of the Order, the condominium located at 1725 Cleveland ("Cleveland Condo") was under contract for sale. Mr. Hamilton paid the then current tenants to move out so that a sale could close. The sale did not close and the Cleveland Condo is vacant. The Receiver has inspected the property and based upon the reactions of the numerous potential buyers, the Receiver has engaged Ta-Da Merta for \$3,400 to clean, paint and repair certain items in the Cleveland Condo which has been completed. The Cleveland Condo is listed for \$295,000. A mortgage with principal of \$156,200 is held by The Northern Trust. The Receiver has paid the monthly mortgage payments for November, December, January and February. Property taxes are paid.

Hamilton is also the owner of a condominium located at 2500 Lakeview, Unit 3001, Chicago, Illinois ("Lakeview Condo"). A mortgage in the amount of \$374,604 on the Lakeview Condo is held by The Northern Trust. McDonalds Corporation leases the property under the terms of lease which expires on December 31, 2010. The assessment

and the monthly mortgage payment exceed the current rent which is received from McDonalds. The Receiver petitioned this Court to engage Cheryl Bussmann as a real estate broker to sell the Lakeview Condo. The Court granted her motion and the Lakeview Condo is now listed for \$499,000. The Receiver has paid the monthly mortgage payments for November, December, January and February. She has also paid the condominium assessment for November, December, January and February. Property taxes are also paid. The Receiver has filed *lis pendens* notices for both the Cleveland and Lakeview properties.

Hamilton is also the one-half owner of an apartment building located at 6641 Greenview, Chicago, Illinois. The other one-half of the ownership is held by John Davidson, a former employee of Raleigh Capital Management and an investor in the Raleigh Fund. The Greenview Building was recently appraised for \$635,500 and it has granted a mortgage to The Northern Trust in the principal amount of \$401,663.52. John Davidson has informed the Receiver that he has spoken to an interested purchaser who may make an offer for the Receiver's interest in the Greenview Building. To date, the Receiver has not received the offer.

Investigation of other Assets of Hamilton and the Funds

The Receiver previously caused Lind Waldock to convert various currencies which were in the name of the Fund to United States Dollars. The Receiver has invested \$708,876.25 in CDARS with FDIC-insured depository institutions. Another \$250,000 is held in a money market account at The PrivateBank. As described above, additional funds are held at The Northern Trust in two separate accounts.

Banque Franck, Galland & Cie SA

Included among the accounts being investigated are those located at Banque Franck, Galland & Cie SA (“Banque Franck”) in Switzerland. Mr. Hamilton apparently borrowed various sums over a period of years and, as of January 29, 2010, owed Banque Franck \$415,669. This term loan appears to mature on March 31, 2010. Banque Franck alleges that the loan is secured with an interest in Mr. Hamilton’s shares of the Raleigh Fund which it values on the statements at \$1,024,010.03.

Banque Franck also holds certain assets which belong to the Raleigh Fund in accounts separate from Mr. Hamilton’s account described above. As of December 31, 2009, Banque Franck held \$413,279 in various assets, including \$2,188 in cash, \$190,000 in short term investments, \$19,633 in bonds, \$91,698 in equities, \$108,687 in D.E.Shaw Composite International Funds and \$1,073 in metals and commodities. Banque Franck has informed the Receiver that the D.E. Shaw Composite International Funds are not liquid. The Receiver intends to transfer these assets to a broker in the United States to assist in liquidating these assets to cash.

The Receiver believes that certain investors in the Raleigh Fund invested through Banque Franck. The Receiver believes that certain investors redeemed their interest in 2009. Certain of them rolled the redemption into the Raleigh Fund directly. Others may not have done so. The Receiver is continuing her investigation.

The Bar Date

The Receiver requested that a bar date be set and the Court granted her motion setting a Bar Date of February 12, 2010. The Receiver sent notice of the Bar Date to all known parties, investors and others that might hold claims against the Defendants or

Relief Defendants. In addition, she caused a Notice to be placed in the Wall Street Journal. A Proof of Publication was previously filed with this Court. The Receiver and her investigator, Mr. Siara, are beginning a review of the 38 submitted claims.

Communications with Investors

The Receiver continues to speak with many investors or their representatives. On February 16, 2010, she met with representatives of certain non-Hamilton family investors to discuss the Assets and to answer questions. She intends to email this Report to each investor and to other interested parties.

Tax Issues

The Receiver intends to send K-1s to all investors for 2008 and 2009. The K-1s have been prepared by Mary Lynch, the Fund's former accountant. The Receiver will disclaim any responsibility for the information contained on the K-1s as she has no direct knowledge of the books and records of the Fund.

Forensic Investigation

The Receiver continues forensic review of Defendants and Relief Defendants' records. She has obtained certain additional records from a hard drive found in one of the safety deposit boxes as well as from Mary Lynch, the former accountant to the fund.

The receiver subpoenaed bank records from The Northern Trust and is in the process of requesting additional records from The Northern Trust.

CONCLUSION

The Receiver intends to continue investigating the assets held by the Fund to determine the locations of the various assets and which assets can be liquidated for the benefit of the estate. In addition, the Receiver will now evaluate the claims submitted.

DATED: March 4, 2010

Respectively submitted,

**DEBORAH L. THORNE, as
TEMPORARY RECEIVER**

By: /s/ Deborah L. Thorne
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